



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 01-0305355

THE APPLICATION OF CINCO OIL & GAS, LLC, FOR AN EXCEPTION TO
STATEWIDE RULE 32 FOR THE PEELER SW (17177) LEASE, WELL NO.1H,
INDIO TANKS (PEARSALL) FIELD, ATASCOSA COUNTY, TEXAS

HEARD BY: Richard Eyster, P. G. – Technical Examiner
Clayton J. Hoover – Administrative Law Judge

HEARING DATE: August 2, 2017

CONFERENCE DATE: September 19, 2017

APPEARANCES:

Doug Dashiell
Jeff Gordon

Cinco Oil & Gas, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Cinco Exploration & Production Co . (Cinco) requests an exception to Statewide Rule 32 to flare gas for the Peeler SW (17177) Lease, Well No.1H, Indio Tanks (Pearsall) Field, Atascosa County, Texas. All persons entitled to notice received notice of the hearing.

The application is not protested and the Technical Examiner and the Administrative Law Judge (collectively the Examiners) recommend the exception be granted.

DISCUSSION OF THE EVIDENCE

Statewide Rule 32 governs the utilization of gas well gas and casinghead gas produced by oil and gas wells under the jurisdiction of the Railroad Commission. In the subject application, Cinco is requesting to flare 300mcf/d of casinghead gas produced

from the Peeler SW (17177) Lease Well No.1H, (API No. 42-013-34645) in Atascosa County Texas, as provided in Statewide Rule 32(h).

The Peeler SW 1H Well is completed in the Indio Tanks (Pearsall) Field, Atascosa County. The Peeler SW 1H Well received administrative Permit No. 28851 to flare up to 400 mcf/d of casinghead gas, which was effective from February 7, 2017 through August 7, 2017, Cinco is now requesting an exception to flare 300 mcf/d from the Peeler SW 1H Well for a period of two years from August 2, 2017 through August 2, 2019.

There are currently two gas pipelines in the vicinity of the well. Cinco has identified the closest sales point and determined the economics required to connect these wells. In the economic analysis, Cinco used the most optimistic scenarios for each well, which would be a straight line distance to connect the wells to the pipeline.

The capital investment of \$142,000 for 450 feet of pipe line needed to connect the well along with the gathering fee of \$0.98/mcf and the \$1.54/mcf processing and treating fee would result in a net loss. As a result, the economics are not favorable at this time to connect to the pipeline. Without a Final Order from the Commission authorizing the continued flaring of casinghead gas from the Peeler SW Unit 1H Well Cinco stated they would have to shut in production from the wells, possibly resulting in waste of hydrocarbon reserves.

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of hearing.
2. The subject well in this application are completed in the Indio Tanks (Pearsall) Field, Atascosa County.
3. An operator is considered temporarily compliant with Statewide Rule 32 until final Commission action on the hearing application if it has requested a hearing prior to the expiration of a Commission granted flare permit order.
4. Cinco received an administrative permit to flare casinghead gas from the Peeler SW 1H Well
5. Cinco applied for hearings to extend the flaring authority more than 21 days before the administrative permits expired.
6. An exception to Statewide Rule 32 for the Peeler SW 1H Well is appropriate.
7. For the Peeler SW 1H Well, Cinco requests to flare a maximum of 300 mcf/d of casinghead gas from August 2, 2017 through August 2, 2019.


CONCLUSIONS OF LAW

1. Resolution of the subject application is a matter committed to the jurisdiction of the Railroad Commission of Texas. Tex. Nat. Res. Code § 81.051.
2. All notice requirements have been satisfied. 16 Tex. Admin. Code §§ 1.43 and 1.45.
3. Cinco Oil & Gas, LLC. has met the requirements in 16 Tex. Admin. Code § 3.32 for an exception to the limitations in that section regarding the requested authority to flare casinghead gas produced from the well.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission enter an order granting the application as requested by Cinco Oil & Gas, LLC.

Respectfully submitted,


Richard Eyster, P. G.
Technical Examiner


Clayton J. Hoover
Administrative Law Judge